

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

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TO SECSTATE WASHDC 2333

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

USMISSION NATO

AMEMBASSY VIENNA

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

C O N F I D E N T I A L LISBON 1859

EO 11652: GDS

TAGS: EGEN, PO

SUBJ: TROUBLE IN PORTUGUESE TOURIST INDUSTRY

REF: LISBON 1626

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SUMMARY: PORTUGUESE TOURIST INDUSTRY FACING SERIOUS DIFFI-

CULTIES, WITH MARCH 11 EVENTS EXACERBATING ALREADY BAD SITUATION. THERE ARE REPORTS OF LARGE-SCALE CANCELLATIONS OF RESERVATIONS, VERY LOW OCCUPANCY RATES, AND CONSEQUENT PROSPECTIVE CLOSURES OF HOTELS AND RESTAURANTS. IN FACE OF THIS, 130,000 HOTEL WORKERS ARE SEEKING INDUSTRY-WIDE CONTRACT INCLUDING GUARANTEE OF NO DISMISSALS. WHEN REAL DIFFICULTIES ADMITTED BY MEDIA, THEY ARE BLAMED ON CAMPAIGN BY FOREIGN PRESS. END SUMMARY.

1. EMBASSY HAS RECEIVED FURTHER STRONG INDICATIONS THAT PORTUGUESE TOURIST INDUSTRY IS FACING SERIOUS DIFFICULTIES. SO FAR WITH FEW EXCEPTIONS LOCAL PRESS HAS FEATURED OPTIMISTIC REPORTS WITH LITTLE MENTION OF SERIOUS PROBLEMS.

2. IN MARCH 20 ARTICLE WHICH LOCAL PRESS HAS NOT PICKED UP, WALL STREET JOURNAL REPORTED THAT KEMPER INSURANCE COMPANIES, NOT WANTING TO BENEFIT PORTUGUESE GOVERNMENT AFTER "LEFTIST MILITARY TAKEOVER," HAVE CANCELLED SCHEDULED JUNE SALES CONFERENCE HERE. KEMPER PRESIDENT WAS QUOTED AS SAYING THAT CONFERENCE OF 800 ATTENDEES (WITH \$500,000 IN SPENDING) WILL BE HELD IN SAN FRANCISCO IN "AN ATMOSPHERE OF FREEDOM, DEMOCRACY AND GOOD WILL."

3. MARCH 28 DIARIO DE NOTICIAS CARRIED ARTICLE CLAIMING THAT TRAVEL AGENCIES IN VIGO, SPAIN, HAVE CANCELLED ALMOST ALL SCHEDULED EXCURSIONS TO NORTHERN PORTUGAL IN WAKE OF HARRASSMENT OF SPANISH TOURISTS.

4. MARCH 31 DIARIO CONTAINED TINE ARTICLE ABOUT EASTER WEEKEND TOURISM IN ALGARVE WHICH WAS CONTRADICTIONARY MIXTURE OF OPTIMISM AND COLD REALITY. IT SAID THAT DESPITE ECONOMIC AND TOURIST CRISIS OF "CAPITALIST WORLD" AND A CAMPAIGN AGAINST PORTUGUESE HOLIDAYS DEVELOPED BY CERTAIN FOREIGN PRESS, A "FEW" HOTELS WERE ALMOST FULL. HOWEVER, IT ADMITTED THAT OTHER HOTELS DIDN'T EVEN REGISTER HALF THEIR NORMAL BUSINESS, WITH OCCUPANCY RATES RANGING FROM ONLY 25 TO 50 PERCENT.

5. IMPLICITLY SUPPORTING TRUTH OF RECENT COMPLAINTS BY ALGARVE HOTELKEEPERS (PARA 3, REFTTEL), ARTICLE CONCLUDED THAT EVEN THIS REPRESENTED RELATIVE PROGRESS IN THIS TIME OF CRISIS. NOTE: DURING WINTER SEASON, FOUR AND FIVE STAR HOTELS IN ALGARVE HAVE CONFIDENTIAL

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OFFERED WEEKENDS AT EXTREMELY LOW RATES, WITH A NEW HOTEL IN ALBUFEIRA CURRENTLY OFFERING ROOM WITH ALL MEALS FOR \$8 A PERSON.

6. OFFICIAL OF ITT'S LOCAL SHERATON SUBSIDIARY TOLD EMBOFF THAT TOURIST INDUSTRY IS IN CHAOS, WITH A NUMBER OF HOTELS AND RESTAURANTS, INCLUDING PALACIO HOTEL IN ESTORIL AND FENIX AND FLORIDA HOTELS IN LISBON, EXPECTED TO CLOSE WITHIN PERIOD OF WEEKS. HE SAID THAT WHILE CONDITIONS WERE BAD EVEN BEFORE

MARCH 11, GAINS MADE BY LEFT SINCE THEN HAVE ACCELERATED
DOWNWARD SPIRAL.

7. SHERATON HOTEL'S CURRENT OCCUPANCY RATE OF AROUND 43 PERCENT
IS MORE THAN HALF COMPOSED OF AIRLINE PERSONNEL GETTING DISCOUNT.
IN TWO WEEKS FOLLOWING MARCH 11 SHERATON RECEIVED 4,000 ROOM
CANCELLATIONS, PRIMARILY DUE TO CANCELLATION OF TWO LARGE
CONVENTIONS. AT PROJECTED OCCUPANCY RATE OF 49 PERCENT FOR
REMAINDER OF YEAR, HOTEL EXPECTS TO LOSE \$150,000 PER MONTH ON
ROOMS ALONE, AND IS NOW CONSIDERING WHETHER TO CONTINUE OPERATIOS.

8. SHERATON OFFICIAL REPORTED THAT PALACIO HOTEL IN ESTORIL
AND LISBON RITZ ARE SUFFERING EVEN LOWER OCCUPANCY RATES (8 AND
14 PERCENT RESPECTIVELY). LARGEST HOTEL IN LISBON AREA, ESTORIL
SOL, HAS RECEIVED 40,000 ROOM CANCELLATIONS, REPRESENTING THREE
MONTHS OF FULL OCCUPANCY, SINCE MARCH 11. DESPITE SITUATION,
SOCIEDADE ESTORIL-SOL, WHICH ALSO RUNS HOTEL DO GUINCHO AND
ESTORIL CASINO, AGREED LAST WEEK TO GUARANTEE EMPLOYMENT FOR
COMPANY'S 1,600 EMPLOYEES AND ASSIST EMBAIXADOR HOTEL (IN LISBON)
TO KEEP IT IN OPERATION. FIVE-STAR ESTORIL SOL AND GUINCHO HOTELS
LAST WEEK WERE OFFERING SPECIAL FULL-PENSION RATES.

9. FOREIGN PATRONAGE OF LOCAL HOTELS IS NOT LIKELY TO BE
INCREASED BY INCREASING SIGNS OF MILITANCY AMONG HOTEL
WORKERS. IN A MEETING LAST WEEK LISBON HOTEL WORKER REPRE-
SENTATIVES CALLED FOR INCREASED "VIGILANCE," AND ANNOUNCED
DISCOVERY (BUT NOT YET UNMASKING) OF TWO CIA EMPLOYEES AND
"DISCOVERY" OF SIX DIAMONDS WORTH SOME \$38,000 ILLICITLY HELD
BY A SHERATON GUEST.

10. HOTEL WORKERS' UNION, CLAIMING SOME 130,000 MEMBERS, IS
CURRENTLY PUSHING HARD FOR A "VERTICAL" (INDUSTRY-WIDE) CONTRACT
INCLUDING WHAT IS CURRENTLY BEING DEMANDED AS A "RIGHT" THROUGH-
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OUT THE ECONOMY--A GUARANTEE OF NO FIRINGS WITHOUT JUST CAUSE.

11. COMMENT: THERE SEEMS ALMOST NO WAY IN WHICH PORTUGUESE
TOURIST INDUSTRY CAN AVERT SERIOUS CRISIS THIS YEAR. CLAIMS BY
RADICALS THAT TOURIST INDUSTRY SHOULD BE RESTRUCTURED TO SERVE
THE "PEOPLE" RATHER THAN RICH FOREIGNERS MAY SERVE IDEOLOGY BUT
WON'T HELP O FOREIGN EXCHANGE. TO THE EXTENT THAT DEPTH OF
PROBLEM IS ADMITTED IN MEDIA, IT IS BEING BLAMED ON ORGANIZED
CAMPAIGN IN WESTERN PRESS TO SABOTAGE THE NEW PORTUGUESE DEMOCRACY.
SUCH AN OUTLOOK, EXACERBATING EXISTING TENSIONS, WILL PROBABLY
ONLY INCREASE TOURIST HESITATIONS ABOUT PORTUGAL.
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